

FISCAL UPDATE

February 9, 1995

Legislative Fiscal Bureau

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Subcommittee Meetings

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE

The Administration and Regulation Appropriations Subcommittee met January 30 - February 1.

Inspections & Appeals

On January 30 the Subcommittee heard from the following representatives from the Department of Inspections and Appeals who gave an overview of Departmental functions, budget requests, and Governor's recommendations:

- Department Director Charles Sweeney reviewed the Finance and Services Division. The Division is responsible for providing support and administrative services to the Department.
- An overview of the Appeals and Fair Hearings Division was given by Division Director Kim Schmett. The Division conducts hearings for various departments and professional licensing boards.
- Division Director Jeff Voskans discussed the Investigations Division. The Division:
 - Investigates Medicaid and welfare fraud.
 - Reviews applications for Food Stamps, the Family Investment Program, and Medicaid.
 - Collects overpayments made from State assistance programs.
 - Conducts investigations of hospitals, hospices, and health care facilities.
 - Conducts special Executive Branch investigations.
 - Investigates allegations of abuse or neglect of patients in health care facilities receiving Medicaid payments.
- Mr. Voskans stated that through the Division's efforts in FY 1994, approximately \$10.4 million had been saved in cost avoidance and collections. Approximately \$2.0 million of this is State funds, the balance is federal funds.

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- Division Director Sherry Hopkins gave an overview of the Audits Division and the Inspections Division. The Audits Division conducts audits of health care facilities, State medical assistance programs, State supplemental assistance programs, and local Department of Human Services operations.
- The Inspections Division inspects and licenses food and food service establishments, food and beverage vending machines, and hotels and motels; licenses bingo operations, games of skill and chance, and raffles; and inspects barber and cosmetology shops, tanning beds, USDA egg handlers, and federal wholesale food establishments. Ms. Hopkins noted that sales tax revenue to the State from bingo receipts totaled \$2.7 million in FY 1994, with sales tax receipts from other games or raffles totaling \$73,000.

Committee Discussion

Committee discussion centered on the Division's contracts with local health departments and why county inspectors are performing inspections in counties other than their home county.

Employment Appeal Board

An overview of the Employment Appeal Board was given by Chairperson Skip Weber. The Board conducts higher level appeal hearings for the Job Services Division of the Department of Employment Services and conducts appeal hearings for the Labor Services Division of the Department of Employment Services, the Department of Personnel, and the Department of Public Safety. Mr. Weber noted that 85.9% of the Board's rulings were sustained in District Court in FY 1994, and 90.4% were sustained by the Iowa Supreme Court.

Health Facilities Division



Division Director Pearl Johnson reviewed the Health Facilities Division. The Division inspects and licenses hospitals, long-term care facilities, birth-centers, hospices, and Psychiatric Medical Institutions for Children; inspects and certifies facilities for participation in the Medicaid and Medicare Programs; maintains a statewide Nurse Aid Registry; inspects child foster care facilities and private institutions caring for dependent or neglected children; and inspects and reviews private adoption investigators and child placement agencies.

Committee Discussion

Committee discussion centered around:

- How much flexibility the Division has concerning issuance of fines and citations when a violation has occurred.
- If the Division's request for two additional inspectors would be sufficient to perform an inspection of every State-licensed-only facility once every 15 months.

Information Requested

The Division was asked to provide:

- A written list of the names and phone numbers of all employees who make recommendations on citations and fines.
- A written list of all institutions about which complaints had been received in the last year.

Racing & Gaming**Tama Casino**

Administrator Jack Ketterer gave an overview of the Racing and Gaming Division. The Division supervises and regulates pari-mutuel wagering, and riverboat and casino gambling. Mr. Ketterer discussed the situation with the Waterloo racetrack's license and noted the recent approval of three new riverboats.

Committee discussion centered around the recent situation at the Tama casino and what impact this has on the State.

Foster Care Review Board

An overview of the Foster Care Review Board was given by Director DeAnn Jones. The Board reviews foster care placements to ensure permanency planning occurs; maintains a statewide Foster Care Registry; and prepares reports that identify barriers to the delivery of quality foster care services.

Dept. of Management

On January 31 Gretchen Tegeler, Director of the Department of Management (DOM), presented an overview of the Department's responsibilities and FY 1996 budget request. Ms. Tegeler described the Department's functions, emphasizing that the Department is involved in policy and strategic planning, as well as budgeting. She said the Department is committed to helping agencies and the Governor make sure planning drives the budget.

Council on Human Invest.

Regarding the Department's request, Ms. Tegeler highlighted changes from FY 1995, including the transfer of funds for the Council on Human Investment from the Department of Human Services to the DOM. Marv Weidner updated the Subcommittee on the Council on Human Investment, and Representative Bill Brand, an ex-officio member of the Council, spoke in support of its activities.

Information Mgmt. Director

Ms. Tegeler also detailed the Governor's recommended appropriation of \$160,000 for an Information Management Director. According to Ms. Tegeler, the Information Management Director would be responsible for ensuring computer system compatibility between agencies, developing an information technology business plan for the State, and keeping the State on the forefront of technology.

Dept. of Commerce

On February 1 representatives from the Department of Commerce presented an overview of the Department's responsibilities and FY 1996 budget request. The Committee heard from the following:

- Jack Nystrom, Director of the Department of Commerce, gave a brief introduction to the Department. He explained that five of the six divisions are fee driven and the other is profit driven.
- Martin Deaton, Chief of Administrative Services, gave an overview of the Administrative Services Division's responsibilities and budget request. He said the main issue of the Division is the "recentralization" of administrative costs. The Division's budget request includes an increase to consolidate the funds associated with administrative functions into central administration. Mr. Deaton noted that this request is offset by decreases in other divisions and does not include an intention of restoring a permanent director for the Department.
- Jack Nystrom, Administrator of the Alcoholic Beverages Division, gave an overview of the Division's functions. He highlighted the fact that because of balanced budget legislation in recent years, the Division is now current in its



bills. Senator Sorenson inquired if the Division is able to negotiate better prices as a result of paying bills on time. Mr. Nystrom responded that being current in bills has fostered friendly relations with suppliers, but it has not resulted in decreased prices due to the pricing structure.

- Steve Mossier, Deputy Superintendent of Banking, presented the Banking Division's budget request and an overview of the Division's functions. He said that the Division collects fees from the 439 regulated banks, and as a result, no tax revenues are used to pay for the operations of the Banking Division. The Division has requested a status quo budget.
- James Forney, Superintendent of Credit Unions, presented the Credit Union Division's budget request and overview. He said that this Division, too, is self-supporting through fees and has a status quo budget request. He explained that due to turnover in field staff, the Division had to borrow examiners from Kansas during FY 1994 to complete the necessary reviews.
- Jo Page, Deputy Insurance Commissioner, gave an overview of the Insurance Division. She said the Division regulates securities and regulated industries in addition to insurance products. She noted three of the Governor's budget recommendations for the Division:
 - \$60,000 and 3.0 FTE positions for a Fraud Bureau.
 - \$53,847 and 1.0 FTE position to better audit pre-need funeral contracts.
 - 2.0 FTE positions in the Securities Bureau.
- Marie Thayer, Administrator of the Professional Licensing Division, gave an overview of the Division's responsibilities. Recent activities and initiatives of the Division include a time-study to determine the staff time devoted to each licensed profession. In addition, Ms. Thayer stated the Division has begun using a bar code system for issuing renewals and that four State agencies and seven other states have inquired about the system.
- Nancy Boyd, Acting Chairperson of the Utilities Commission, described the Utilities Division's efforts related to regulating the rates and services of electric, gas, water, and telephone companies in Iowa. She explained that funding for the Division comes from assessments on public utilities. An increase or decrease in appropriations results in the same change in assessments.

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AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings

The Agriculture and Natural Resources Appropriations Subcommittee met January 30 - February 1.

Cost Share Programs

On January 30 Jim Gulliford, Soil Conservation Division Administrator, presented information on the current status of the Cost Share Programs. In-depth discussion occurred on what the unobligated and unencumbered balance was for the Water Protection Fund.

Gypsy Moth Program



On January 31 Daryl Frey, Laboratory Division Administrator of the Department of Agriculture and Land Stewardship, presented information on the Gypsy Moth Program. He answered questions on the more recent problems of infested trees being shipped into Iowa from Pennsylvania and Michigan. A presentation was also given by Dr. Felker, State Veterinarian, on the Pseudorabies Program. He talked of the success of the Program and its continued effort. Stan Kuhn, Administrative Services Administrator of the Department of Natural Resources, reviewed the current status of the Boat Fund, the ATV Fund, and the Snowmobile Fund.

Agric. Marketing Efforts

On February 1 Steve Pederson, Agricultural Marketing Bureau Chief of the Department of Agriculture and Land Stewardship, presented information on current agricultural marketing efforts. He also addressed four decision packages in the department's request that affect the bureau. A presentation was also given by Kevin Szcondronski, REAP Coordinator of the Department of Natural Resources, on the current status of the REAP Program. Don Paulin, Deputy Director of the Department of Natural Resources, presented information on the status of waste tire management initiatives.

STAFF CONTACT: Angie Frey (Ext. 14612) Darlene Kruse (Ext. 16256)

**ECONOMIC DEVELOPMENT APPROPRIATIONS
SUBCOMMITTEE**

Subcommittee Meetings

The Economic Development Appropriations Subcommittee met January 30 - February 1.

Workforce Devel. Division

On January 30 Jeff Nall presented an overview of programs and activities of the Workforce Development Division of the Department of Economic Development (DED) and discussed the types of programs in the Division. These include programs supporting:

- Entry into the workforce
 - Promise Jobs Program
 - Workforce Investment Program
 - Iowa Conservation Corps
- Re-entry into the workforce - Job Training Partnership Act Program
- Job creation
 - Iowa New Jobs Training Program
 - Iowa Jobs Training Program
- Job retention and modernization
 - Iowa Jobs Training Program
 - Labor-Management Council Program
 - High Technology Apprenticeship Program
- Occupational and labor market information - Iowa State Occupational Information Coordinating Committee

Workforce Invst. Fund	Additionally, a proposal to create a new Workforce Investment Fund was discussed. The Fund would be financed by continuing the diversion of 1.5% of the withholding tax receipts from new jobs created in businesses participating in the Industrial New Jobs Training Program. Currently, this diversion is used to repay certificates of participation sold by the community colleges to finance the job training and education efforts. These funds would normally revert to the General Fund once the certificates were retired. The proposal is for a ten-year extended diversion, which would provide an estimated \$866,000 the first year and level off at \$11.8 million annually after ten years.
Use of Funds	The funds would be used to support job training and retraining efforts of the Division and as the level of receipts increases, could be available for programs in other Departments.
Comm./Rural Devel. Division	<p>On January 31 Kathy Beery presented an overview of programs and activities of the Community and Rural Development Division of the DED. These included:</p> <ul style="list-style-type: none">• Rural Development Programs<ul style="list-style-type: none">• Rural Enterprise Fund• Rural Leadership Program• Rural Action Program• Government Services Sharing Program• Housing Needs Assessment• Mainstreet/Rural Mainstreet Program• Community Assistance Programs<ul style="list-style-type: none">• Community Consultants• Iowa Community Betterment Program• City Development Board
Housing Devel. Fund	The proposed appropriation of \$150,000 for a new Housing Development Fund was also discussed. This Fund would, if funded, provide training and technical assistance for bankers and community housing staff related to accessing funding sources to community housing needs.
Federal Housing Programs	Lane Palmer presented information related to housing programs provided with federal funding from the Community Development Block Grant and the HOME Program.
Business Devel. Division	<p>On February 1 Bob Henningsen presented an overview of the programs and activities of the Business Development Division of the DED. These included:</p> <ul style="list-style-type: none">• Small Business Resource Office - In an effort to provide more effective services the Division has reorganized programs in this area. Programs involved include:<ul style="list-style-type: none">• Small Business Forums Program• Small Business Advocacy Program

- Management Assistance Program
- Targeted Small Business Program
- Marketing and Business Expansion Bureau

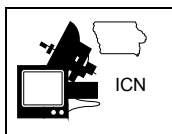
Bureau of Business Finance Mike Miller presented information related to the Bureau of Business Finance. Programs within this Bureau include:

- Strategic Investment Fund Programs
 - Community Economic Betterment Account Program
 - Self Employment Loan Program
 - Targeted Small Business Financial Assistance Program
- Value-Added Agriculture Products and Processes Financial Assistance Program
- Economic Development Set-Aside Program

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EDUCATION APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings



The Education Appropriations Subcommittee met January 30 - February 1 and heard from the following:

- Representatives of Iowa Public Television regarding the FY 1996 budget request, Governor's recommendations, and the role with the Iowa Communications Network.
- Representatives of the Department of Education regarding the FY 1996 budget request, Governor's recommendations, and the status of new programs in FY 1995.
- Representatives of the Board of Regents Office regarding the FY 1996 budget request and Governor's recommendations.

Next Week

During the week of February 6, the Subcommittee will hear from representatives of the State Board of Regents in conjunction with the Joint Transportation and Capitals Subcommittee regarding capital projects and the University of Iowa Hospitals and Clinics, and from the University of Osteopathic Medicine and Health Sciences regarding health care.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Mary Shipman (Ext. 14617)

HEALTH AND HUMAN RIGHTS APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings

The Health and Human Rights Appropriations Subcommittee met January 30 - February 1. On January 30 Margaret Evans, LFB, outlined two recommended Governor's initiatives that affect the departments of the Health and Human Rights Appropriations Subcommittee. Each of the initiatives are included in the FY 1996 budget presentations by the departments.

FAMILY OPPORTUNITY PLAN - RECOMMENDED REDUCTIONS

Governor's Alliance on Substance Abuse	Deciding against renewal of the one-time appropriation for the replication of Polk County's Youthful Offender Program	\$ 362,500
Department of Public Health	Elimination of grants to communities to train midwife practitioners	140,000
	Elimination of State's role in the inspection of swimming pools	25,000
Department of Human Rights	Elimination of the Community Grant Program	1,800,000
Iowa Veterans Home	Reduction of 15 beds at the Home	441,786
Program Reductions		<u>\$2,769,286</u>

STATE EMPLOYEE HEALTH INSURANCE ENROLLMENTS
CONTRACTS EXCEEDING PLAN 3 COSTS

Department	# of Family Contracts >Cost than Plan 3	Percent > Plan 3 Cost	GF Savings Given 35.00% Benchmark
Blind	25	69.44%	\$ 4,420
Civil Rights	4	57.14%	1,167
Elder Affairs	7	63.64%	1,002
Govn Alliance on Substance Abuse	2	50.00%	397
Public Health	80	66.12%	14,918
Human Rights	17	70.83%	3,341
Veterans Affairs	<u>131</u>	46.13%	<u>30,007</u>
TOTALS	302		\$ 55,252

Dept. of Public Health

Christopher Atchison, Director of the Department of Public Health, presented the Department's budget for FY 1996. Mr. Atchison discussed the highlights of the Governor's recommendation compared to estimated FY 1995.

- Planning and Administration Division - Senator Giannetto requested background information on the Chronic Renal Disease Program, which is administered by the Division.
- Professional Licensure Bureau - An increase of \$14,000 for expenses related to the Athletic Trainers Advisory Board established in FY 1995.

Mr. Atchison stated that the Department is requesting an 85/10/5 percent plan for the 18 licensing boards of the Bureau. Based upon activities of the Subcommittee last year, the goal for the Boards is 85.0% of the fees generated be returned to the Board for operations, 10.0% be returned to the General Fund for indirect costs of the Department, and 5.0% be retained in a reserve fund for potential legal expenses of the Boards. Representative Thomson requested additional information on the licensing boards.

- Health Protection Division - Representative Brunkhorst requested additional information on the licensing of laser shows by the Division.
- Substance Abuse and Health Promotion Division and Substance Abuse Program Grants - Senator Flynn asked about a recommended \$950,000 transfer of substance abuse funds to the Department of Human Services. Mr. Atchison stated the transfer was to facilitate a managed care approach to substance abuse. Mr. Atchison will provide the Subcommittee with detailed information concerning this transfer at a later date.
- Family and Community Health Division - The Division's programs are detailed using program performance-based budgeting, which is scheduled to be discussed by the Subcommittee at a later date. Representatives Kremer and Weigel requested additional information on the Public Health Nursing, Home Care Aide, and Well Elderly Clinics Programs, which are administered by the Division. The Department is requesting a 5.0% increase in each of the Programs.
- Healthy Family Program - Regarding the decrease of \$140,000 for grant funding for communities to train midwife practitioners to contribute to the Governor's Family Opportunity Plan, Mr. Atchison stated that the funds have not been utilized for two years. Representative Mascher requested more information on the Healthy Family Program.
- Board of Dental Examiners - An increase of \$15,000 for increased costs associated with examinations required for licensure and \$10,000 for a contractual computer consultant to adapt and upgrade existing software.
- Board of Nursing Examiners - An increase of \$35,000 for modernization of the licensure information management software system.



Dept. for the Blind



On January 31 Creig Slayton, Director of the Department for the Blind, presented the Department's budget for FY 1996. Mr. Slayton discussed the highlights of the Governor's recommendation compared to estimated FY 1995, which includes an increase of \$5,000 to match an anticipated \$20,000 in federal funds to provide direct services to clients in the Vocational Rehabilitation Program and the decrease in funds due to projected savings from the Governor's Health Insurance Education Plan. Representative Wiegel asked if the Department would lose federal funds if the General Assembly did not provide the stated matching funds in decision packages. Mr. Slayton answered yes because the majority of the General Fund money appropriated is used to generate federal funds.

Civil Rights Commission

Don Grove, Director of the Civil Rights Commission, presented the Commission's budget for FY 1996. Mr. Grove discussed the highlights of the Governor's recommendation compared to estimated FY 1995, which includes the decrease in funds due to projected savings from the Governor's Health Insurance Education Plan.

Federal Funds

Mr. Grove stated that the Governor is recommending a decrease of 3.4 FTE positions due to fluctuating federally funded FTE positions to handle

federal Equal Employment Opportunity Commission and Department of Housing and Urban Development cases. However, the Governor is recommending the continuation of language in the Health and Human Rights Appropriations Bill which allows the Commission to add FTE positions based upon funds received from the federal Equal Employment Opportunity Commission and Department of Housing and Urban Development.

Dept. of Elder Affairs

On February 1 Betty Grandquist, Director of the Department of Elder Affairs, presented the Department's budget for FY 1996. Ms. Grandquist discussed the highlights of the Governor's recommendation compared to estimated FY 1995, which includes an increase of \$250,000 to expand the Case Management Program. Representative Weigel asked about statements being circulated concerning Carl McPherson of the Department regarding the nursing home care situation. Ms. Grandquist stated that Mr. McPherson released portions of the draft copy of the Long-Term Care Ombudsman Report. The final copy of the Report is due to be distributed on February 13 and will include a response by the Iowa Eldercare Coalition.

Care Review Committees

Representative Brunkhorst asked what type of training Ombudsman McPherson provides to the care review committees. Ms. Grandquist stated the training includes an explanation of the role of the Committee, what the Committee can and cannot do, and how the Committee is to be the mediator between the resident and the facility.

Prog. Perf. Based Budgeting

The Subcommittee discussed the process of program performance-based budgeting in preparation for scheduled analysis on February 6. The LFB staff outlined the documents used for tracking budget items and described the performance indicators used to measure effectiveness of the programs. Representatives Weigel and Brunkhorst and Senator Flynn requested additional information concerning alternative methods of program performance-based budgeting techniques and expressed concerns that the mandate requires only the Division of Family and Community Health to use this budgeting method.

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HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings

The Human Services Appropriations Subcommittee met January 30 - February 1.

Economic Asst. Division

On January 30 Doug Howard, Economic Assistance Division Administrator of the Department of Human Services (DHS), presented the Division's FY 1996 budget request. Mr. Howard provided information on the status of the welfare reform initiative passed during the 1993 General Assembly. Mr. Howard described the programs under the Division of Economic Assistance, including the Family Investment Program, Promise Jobs, Family Development and Self-Sufficiency, Emergency Assistance, and Food Stamps.

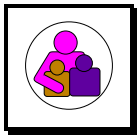
Limited Benefit Plan

Discussion centered around the Limited Benefit Plan under the welfare reform initiative whereby noncompliant clients may lose benefits if they do not participate in the training component (Promise Jobs) or fulfill the

requirements of the Family Investment Agreement (plan to get off public assistance). Mr. Howard explained that following notice of termination of benefits, the family's grant is reduced by the noncompliant parent's portion for three months and then three months of total termination of benefits. It was noted that the family is eligible to reapply after six months of benefits termination.

Emergency Assistance

Senator Szymoniak asked for an explanation of the Governor's FY 1996 budget recommendation for Emergency Assistance, which recommended reducing the appropriation from \$1.8 million to \$1.0 million. A representative of the Department of Management indicated they would seek an explanation.

Child Support

Jim Hennessey, Child Support Administrator, presented the Child Support FY 1996 budget request. Mr. Hennessey first described the past Child Support initiatives, which include income withholding, tax refund offsets, technological improvements to assist in locating parents, paternity establishment programs, publication of delinquent child support obligors' names, and centralized reporting of all new employees.

Iowa Ranks In Top Ten

Mr. Hennessey noted that Iowa constantly ranks in the top ten nationally in Child Support collections and that total annual collections have increased by 554.0% over the past 12 years. Mr. Hennessey explained that the publication of names of delinquent child support obligors in FY 1994 increased collections by \$1.3 million.

Child Support Initiatives

Mr. Hennessey also described the Governor's FY 1996 child support initiatives, including, revocation of professional and drivers' licenses, nonrenewal of vehicle registrations, offset of workers' compensation benefits, establishing minimum support orders for noncustodial minor parents, and establishing education and training expectations for noncustodial minor parents.

Coalition for the Homeless

Ms. Sharon Baker of the Coalition for the Homeless presented information on the impact of the Governor's recommendation for Emergency Assistance on private relief programs and related the impact that Emergency Assistance has had on individual families. Ms. Virginia Peterson of Polk County General Relief discussed the requirements of the General Relief Program.

Admin. Division

On January 31 Ray Camp, Division Administrator of the General Administration Division of the DHS, presented the Division's FY 1996 budget request to the Subcommittee. Mr. Camp noted that the total cost of the General Administration Division as a percentage of total DHS expenditures is 1.5% and one of the lowest of any Human Services Department in the country.

Field Operations Division

Jim Krogman, Division Administrator of the Field Operations Division of the DHS, presented the Division's FY 1996 budget request. Mr. Krogman explained that the Field Operations budget request was a status quo request in terms of field workers, except for the additional decision package for 15.0 Child Protective Investigators. Mr. Krogman also introduced three field workers who explained their roles as an Income Maintenance Worker, a Child Protective Investigator, and Social Worker.

Mental Ill/Dev. Disabilities	On February 1 Harold Templeman, Division Administrator of the Mental Illness and Developmental Disabilities Division, presented the FY 1996 budget request. He reviewed the recommendations of the County-State Management Committee, the DHS study on a Forensic Mental Health Unit, and the Department's work on Outcome-Based Performance Standards, the <u>Connors</u> case settlement, and Managed Mental Health Care.
Mental Health Institutes	Mr. Templeman noted that the Mental Health Institutes are requesting a "hold the line" budget except for a reallocation of costs shared with the Department of Corrections at Clarinda and the proposed closure of women's substance abuse beds at Mount Pleasant. He also noted that the request for the State Hospital Schools maintains the FY 1995 level of services except for the annual closure of a living unit at each institution and the implementation of training programs and a community support team as part of the <u>Connors</u> settlement.
More Information Requested	Representative Houser asked about total spending for Mental Illness and Developmental Disabilities. Mr. Templeman responded that in FY 1993 approximately \$423.0 million was spent on these services, of which \$199.0 was county funds, \$136.0 million was federal funds, and \$88.0 million was State funds. Representative Houser asked that more detailed information on the \$88.0 million in State funds be prepared.
Per Diem Rates	Senator Tinsman asked why the <u>per diem</u> rates at the institutions had increased by such a large amount in recent years. Mr. Templeman responded that the population was decreasing, but that total costs were not decreasing as fast as the number of bed days.
Disabilities Policy Council	Representatives of the Disabilities Policy Council spoke about the recommendations of a Committee that had worked on implementation of Personal Assistance Services. Nancy Witt and David Novak discussed the cost effectiveness of these services as compared to nursing home care. Charles Palmer, Director of the DHS, spoke in support of the Committee's work and pursuing a federal waiver to allow use of Medical Assistance funding for these services. He noted that no funds were included for Personal Assistance Services in either the DHS request or the Governor's recommendation.

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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings



On Monday, January 30, the LFB staff reviewed the Governor's recommendations. Some of the items discussed include:

- The recommendations total \$332.8 million, an increase of \$54.4 million (19.5%) compared to estimated FY 1995.
- Attorney General Tom Miller's modification to the Office's budget request to include a Farm Unit to reunify legal services on farm issues and a Juvenile Unit to deal with juvenile crime and prevention.
- The standing annual appropriation of \$4.0 million from court fines and fees to the Prison Infrastructure Fund. The Fund currently has an annual obligation of \$2.2 million for the new prison at Clarinda and for Community-Based Corrections beds. Funding the proposed \$36.0 million Newton prison

through the Prison Infrastructure Fund would create an annual obligation of approximately \$5.8 million, which is greater than the current funding level.

- An update on the addition of Community-Based Corrections beds in the First, Second, and Sixth Districts.
- The Department of Public Safety's need for additional staff for the new riverboat gambling operations.

Div. of Criminal Investigation On Tuesday, January 31, the Subcommittee toured the Department of Public Safety's Division of Criminal Investigation (DCI). Some of the topics discussed were:

- The distribution of agents around the State and assistance to local law enforcement agencies.
- Background investigations of corporations, management, and employees involved in the gambling industry.
- The Automated Fingerprint Identification System (AFIS). The computer-based system examines all fingerprints for a match and filters out incompatible suspects leaving a list of five suspects for technicians to examine. The system also checks new prints against a file of unidentified prints to link suspects to previous unsolved crimes.
- Laboratory services to local law enforcement and the changes in technology. The laboratory methods will be shifting away from traditional methods for testing bodily fluids to DNA testing. Photographic analysis is being augmented with digital photography that allows for computer enhancements of photographs.
- Storage and disposal of confiscated guns. The Department experimented once, in cooperation with the Department of Natural Resources, with an auction of confiscated guns to licensed dealers and law-abiding citizens and decided against any future sales. The Department destroys all confiscated guns once they are no longer needed as evidence or are associated with unsolved crimes.

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OVERSIGHT, AUDIT, AND GOVERNMENT REFORM APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings	The Oversight, Audit, and Government Reform Appropriations Subcommittee met January 30 - February 1.
Org. Change/Quality Impr.	At the January 30 meeting, Linda Leto, Department of Management, and Steve Maslikowski, Department of Personnel, discussed the State's organizational change and quality improvement initiatives.
Quality Improvement	<p>Ms. Leto discussed the six "foundation principles" of Continuous Quality Improvement:</p> <ul style="list-style-type: none"> • Customers - Customers have dynamic needs and expectations. • Systems - Customer needs are satisfied through purposeful activities, or systems.

- Variation - All systems exhibit variation.
- Knowledge - Knowledge comes from rotating the Plan-Do-Study-Act cycle.
- Planned change - Continuous improvement of systems occurs through planned change.
- People - People drive change.

Keys to Success

Ms. Leto discussed four keys to success in Continuous Quality Improvement initiatives:

- Leadership
- Training
- Reliance on data
- Long-term planning

Training Sessions Available

Ms. Leto distributed a listing of seven Total Quality Management (TQM) training sessions available to State employees. The programs range in price from \$40 to \$450 per person. The employee's department pays the fee.

Organizational Change

Mr. Maslikowski discussed the efforts of the Organization Change component of the State's government reform initiatives. Accomplishments in the following areas were discussed:

- Layers of Management
- Span of Control
- Job classification
- Performance evaluation
- Compensation
- Training
- Improving delivery of service

Fisher Committee

At the January 31 meeting, David Fisher, Chair of the Governor's Committee on Spending Reform (1991), spoke to the Subcommittee concerning the implementation of the recommendation of the Spending Reform Committee, and Mr. Fisher's recommendation for future financial reform.

Spending Reform Recomm.



Mr. Fisher complimented the Legislature for implementation of several of the recommendations contained in the Spending Reform Report, and for the expenditure limitation and cash reserve requirements recently enacted. Mr. Fisher suggested the areas of debt collection and technology as areas to consider for future privatization.

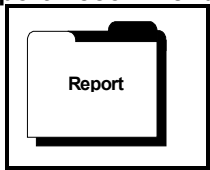
Operations Comm. Report

At the February 1 meeting, John Baldwin, Department of Corrections, discussed the recommendations contained in the Review of State Budget System report issued in April 1994 by the Operations Committee.

Committee Purpose

The Operations Committee was established in 1991 by the Executive Committee of agency directors to serve as an ongoing task force with responsibility to examine operational issues that cross agency lines. Specifically, the Committee is to:

- Identify and study operational problems, issues, and concerns that cut across agencies.
- Receive and study issues and priorities identified by the Executive Committee.
- Act as a consulting group for the Executive Committee on cross-agency projects.

Report Recommendations

The April 1994 report addressed methods of improving the budget development process to make it less costly and time consuming for agencies. The report also addressed appropriation and spending flexibility, and integration of the budgeting process with the planning process.

STAFF CONTACT: Jeff Robinson (Ext. 16767) Glen Dickinson (Ext. 14616)

TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met January 30 - February 1 and heard presentations from the Departments of General Services, Human Services and Transportation.

Capitol Restoration

Janet Phipps, Director of the Department of General Services, discussed the phases of exterior Capitol restoration completed as of FY 1993 and the proposal to complete exterior restoration. Between FY 1983 and FY 1994 the Department spent approximately \$15.3 million on the first seven phases of exterior restoration. The Governor is recommending an appropriation of \$7.2 million from the Infrastructure Account in FY 1996 for Phase 8 of the project and is proposing to complete funding for the final two phases in FY 1997 and FY 1998 at a cost of \$9.0 million and \$7.3 million respectively. Under the Governor's recommendation, the work on all phases would be completed by the year 2000.

Limestone Used

Representative Ollie asked if the new stone will last longer than the stone that is being replaced. The Department stated that they are using a different type of limestone which is more durable and will last much longer than the existing stone.

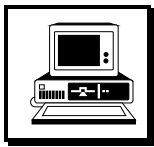
Interior Restoration

Ms. Phipps discussed the \$1.6 million recommendation for interior restoration of the Capitol building that will be used primarily for the purchase of a sprinkler system to address fire safety concerns. This appropriation is being recommended from the Infrastructure Account.

Committee Room Renovation Senator Douglas asked if the interior restoration appropriation will be used for restoration of the committee rooms. Ms. Phipps stated these funds would not be used for committee room renovation but the windows would be replaced as a part of exterior renovation work.

Infrastructure Account Rec. The Governor is also recommending \$4.0 million from the Infrastructure Account for maintenance of State facilities under the Departments of General Services, Human Services, and Corrections. Ms. Phipps stated this appropriation would be used to address critical maintenance needs related to health, life, and safety concerns such as installation and replacement of fire alarms and fire escapes, and improvements to heating and cooling systems.

X-PERT Computer System



Ellen Hansen and Jim Krogman of the Department of Human Services (DHS), presented information on funding for the implementation of the X-PERT computer system. The Governor is recommending \$1.1 million from the Infrastructure Account to fund overtime costs associated with training DHS personnel on using the system and for the entry of cases into the system. These funds will be matched with \$1.0 million in federal funds. Ms. Hansen stated that the Department has already been appropriated \$2.7 million in State funds over the last three years and has received federal funds of approximately \$2.5 million for the purchase of hardware and software.

Role of DOT Commission

Nancy Richardson and Dave Ferree, Department of Transportation (DOT), reviewed the roles and responsibilities of the DOT Commission with the Subcommittee. The DOT Commission is responsible for planning, programming, and implementation of projects relating to all modes of transportation. The Commission programs, spends, and obligates funds from the Primary Road Fund (which is comprised of revenues allocated from the Road Use Tax Fund and federal highway funds), the Park and Institutional Road Fund, the Revitalize Iowa's Sound Economy (RISE) Fund, funds for railroad, aviation, and public transit assistance, and funds for recreational trails.

Primary Road Fund

Senator Halvorson asked where in law the DOT Commission is given authority to spend State tax dollars that are deposited into the Primary Road Fund. Mr. Ferree, the DOT's legal counsel, stated that he wasn't sure of the specific site in the Code of Iowa but would find the answer and provide it to the Subcommittee.

STAFF CONTACT: David Reynolds (Ext. 16934)

HOUSE APPROPRIATIONS PASSES SUPPLEMENTAL APPROPRIATIONS BILL

House Study Bill 64



The House Appropriations Committee passed House Study Bill 64, the Supplemental Appropriations Bill on February 1. The Bill makes supplemental appropriations for FY 1995 to the following areas:

- Indigent Defense - Appropriates \$3.8 million from the General Fund to the State Public Defender for payments to court-appointed attorneys and contract attorneys for indigent defense services.

- Gambling Enforcement - Appropriates \$700,000 from the General Fund to the Department of Public Safety for costs associated with riverboat and racetrack gambling enforcement activities.
- Iowa Communications Network (ICN) - Appropriates \$2.4 million to the ICN Fund for debt service and other costs.
- Community Economic Betterment Account (CEBA) - Appropriates \$2.3 million to the Department of Economic Development for the CEBA Program.

Non-reversion Clause

The Bill also exempts the supplemental appropriation to the ICN Fund from reversion so funds remaining can be carried into FY 1996. The Bill is effective upon enactment and now goes to the House for floor debate.

STAFF CONTACT: Mary Shipman (Ext. 14617)

HOUSE PASSES HSB 63 - HIGHWAY SAFETY PATROL FUND

House Study Bill 63

The House Appropriations Committee passed HSB 63 which creates a Highway Safety Patrol Fund. The Bill includes the following provisions:

- Establishes a Highway Safety Patrol Fund and allocates 20.0% of the revenues derived from the Use Tax on motor vehicles, trailers, and motor vehicle accessories and equipment to the Fund rather than to the Generally Accepted Accounting Principles (GAAP) deficit reduction account.
- Appropriates \$32.9 million of the moneys deposited into the Fund to the Division of Highway Safety, Uniformed Force, and Radio Communications of the Department of Public Safety for FY 1996 operation and workers' compensation expenses.
- Requires any remaining funds to be appropriated to the Primary Road Fund to be used for the development and improvement of the State's Commercial and Industrial Highway Network.
- Provides language indicating the intent of the General Assembly is to partially fund the Highway Patrol from the General Fund in FY 1997 and to fully fund the Highway Patrol from the General Fund by FY 2001.
- Repeals the language establishing the Highway Safety Patrol Fund and requires the Use Tax receipts be deposited into the Road Use Tax Fund once the Highway Patrol is fully funded from the General Fund.

STAFF CONTACT: Leroy McGarity (Ext. 17942)

HOUSE PASSES TECHNOLOGY ASSISTANCE BILL

HF 120 - Tech. Assistance

The House passed HF 120, the Schools Making Advances Through Technology Program. The major provisions include:

1. Establishes the Technology Assistance Trust Fund under the control of the Department of Management.
2. Creates a new General Fund standing appropriation to the Technology Assistance Trust Fund which appropriates the following:
 - \$15.0 million for FY 1996.
 - \$30.0 million for FY 1997.



- \$45.0 million for FY 1998.
- \$60.0 million for FY 1999.

1. Permits the funds from the Technology Assistance Trust Fund to be used for the following:

- Purchase or lease telephone equipment, computers, computer networks, computer programs, computer software, computer systems, and for computer services.
- Maintaining purchases.
- Financing for the procurement and maintenance costs for Part III of the Iowa Communications Network.
- Costs for establishing an electronic classroom, or purchasing or leasing satellite equipment, receiving equipment, studio and production equipment, and other associated equipment.
- Costs of purchasing or leasing audio, visual, or audiovisual machines, machinery, or equipment.
- Training or staff development in the use of equipment or software purchased or leased up to 10.0% of the annual allocation.

1. Prohibits funds to be used for technological support for school administrators.
2. Requires the funds from the Technology Assistance Trust Fund to be distributed to each school district, Iowa Braille and Sight Saving School, and the Iowa School for the Deaf, based upon the proportion enrollment is to total enrollment.
3. Requires districts, the Iowa Braille and Sight Saving School, and the Iowa School for the Deaf to annually submit to the Department of Education a detailed report accounting for the expenditures of moneys received from the Technology Assistance Trust Fund by June 30.

More Information



A distribution of the Technology Assistance Trust Fund by district is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Jon Studer (Ext. 17799)

**HOUSE PASSES ALLOWABLE GROWTH OF 3.0% FOR
THE SCHOOL FOUNDATION FORMULA**

SF 17 - Allowable Growth



The House passed SF 17 as amended by H-3007, which sets the allowable growth rate for the School Foundation Formula at 3.0%. The House proposal will increase State Aid by \$55.8 million and property taxes by \$24.5 million compared to FY 1995 levels. This is a reduction of \$25.5 million in State Aid and \$4.7 million in property taxes compared to the Senate proposal of 4.5%. Since the issue of the budget guarantee is not addressed by SF 17, the budget guarantee remains at 100.0% of the district's previous year's regular program cost pursuant to current statutes. These estimates assume an increase in property tax valuations of 2.25% and an increase in special education weighted enrollment of 5.5%. The estimates are based on 390 school districts; the six districts reorganizing in FY 1996 are estimated separately.

 STAFF CONTACT: Jon Studer (Ext. 17799)

SENATE FILE 84 - INDIVIDUAL HEALTH INSURANCE REFORM PASSES SENATE

SF 84 - Health Ins. Reform

Senate File 84 (Individual Health Insurance Reform) passed the Senate on February 2. Among other provisions, the Bill would set restrictions relating to premium rates, guarantee portability of insurance should an individual change jobs or careers, and establish an Iowa Individual Health Benefit Reinsurance Association. Members of the Reinsurance Association would share losses related to basic and standard plans.

Deduction Allowed

An amendment to the Bill was adopted to allow for the deduction of 100.0% of insurance premiums from State individual taxable income. The fiscal impact of this allowance is estimated to be between \$8.0 million and \$15.0 million, based on an LFB analysis of similar legislation proposed in the 1994 Legislative Session. Under current law, self-employed individuals are allowed to deduct 25.0% of premiums from taxable income.

 STAFF CONTACT: Jon Muller (Ext. 14611) Valerie Thacker (Ext. 15270)

HOUSE WAYS & MEANS COMMITTEE ACTION

House Ways & Means

The House Ways and Means Committee met on February 1 and February 2 to discuss and take action on a proposed Committee amendment to SF 69.

SF 69 - Property Tax Relief

On January 26 the Senate passed SF 69, a Bill which appropriated money for property tax relief. As passed by the Senate, SF 69 would appropriate money to county Mental Health, Mental Retardation, and Developmental Disabilities Funds, such that counties would reduce associated levies by a like amount.

Amendment to SF 69

The House Ways and Means Committee passed an amendment to SF 69 that struck everything after the enacting clause and provided for various forms of tax relief. The Committee Amendment is divided into five divisions.

- Division I phases in a 15.0% reduction in the State individual income tax marginal rates. The Division is identical to HF 97, which passed the Committee on January 25.
- Division II relates to Subchapter S corporations. The Division would allow resident shareholders of these corporations to apportion their income in the same manner as nonresident shareholders.
- Division III provides for the repeal of the property tax on machinery and equipment (M&E). The taxable valuation would be phased out over six years. Appropriated reimbursements would be phased out over ten years.



- Division IV relates to a variety of property tax credits: Personal Property Tax Replacement, Extraordinary Property Tax Credit, Military Credit, Homestead Exemption Credit, Family Farm Tax Credit, and the Agricultural Land Property Tax Credit. The Division would also eliminate the current law disbursement of \$8.8 million from the Franchise tax to local governments, and provide for a \$200,000 valuation exclusion from the taxable valuation of agricultural buildings.
- Division V relates to property tax relief related to county expenditures for mental health, mental retardation, and developmental disabilities. The Division includes some of the same language that was in SF 69 as passed by the Senate, but does not appropriate any funds. The Division also extends the property tax freeze for five years.

Comparison

The following table provides a fiscal comparison of SF 69, as passed by the Senate, with the House Ways and Means Committee amendment.

Comparison of SF 69 to House Ways & Means Committee Amendment
(Dollars are in millions)

	Impact on General Fund		Impact on Local Governments		Impact on Taxpayers	
	SF 69	Amend.	SF 69	Amend.	SF 69	Amend.
FY 1996	\$ -75.0	\$ -91.0	\$ 0.0	\$ 2.0	\$ 75.0	\$ 89.0
FY 1997	-100.0	-130.5	0.0	1.7	100.0	128.8
FY 1998	-125.0	-307.6	0.0	-1.7	125.0	309.3
FY 1999	-150.0	-315.8	0.0	-6.0	150.0	321.8
FY 2000	-175.0	-318.3	0.0	-15.9	175.0	334.2

Fiscal Note Available

A fiscal note on the House Ways and Means Committee amendment, with a more detailed description and estimate of each Division, is available through the LFB.

STAFF CONTACT: Jon Muller (Ext. 14611)

**IOWA'S SHARE OF TOTAL NATIONAL POPULATION
DECREASES; FEDERAL SOCIAL SERVICES BLOCK
GRANT WILL DECREASE**

Census Information Released

The U.S. Census Bureau has released resident state population estimates for July 1994. The national population has increased by an estimated 2.6 million to a total of 260.3 million people; this is a 0.99% increase. Iowa's population increased by 0.28%, resulting in a 0.70% decrease in Iowa's share of the total national population. During the period between 1980 and 1994, Iowa's share of the total national population decreased by 15.52%.



Fed. Block Grant Allocations This population data is used by the United States Department of Health and Human Services to allocate the \$2.8 billion that Congress has appropriated since 1991 for the basic Social Services Block Grant. Each year's population data determines allocations three years, hence, the recently released data will be used to determine Federal FY 1997 allocations. The projected allocation to Iowa in FFY 1995 is \$30.7 million; this will decrease to \$30.5 million in FFY 1996 and \$30.3 million in FY 1997.

STAFF CONTACT: Jon Neiderbach (Ext. 16301)

UNDERGROUND STORAGE TANK PROGRAM COST RECOVERY

Cost Recovery



Section 455G.13, Code of Iowa, allows the State to seek recovery of money paid by the Underground Storage Tank Program for corrective action. Recovery is limited to previous owners, operators and other responsible parties, and all or a portion of the petroleum pollution at the site must have occurred during the previous ownership/operation or because of the actions of the responsible party. The Underground Storage Tank Board has further limited cost recovery efforts to responsible parties with sufficient financial capabilities.

Twenty Settled Cases

Since the inception of the Program's cost recovery efforts, funds have been recovered in 20 cases totaling \$1.2 million. Each of the 20 cases was settled without trial. Of this amount, actual cash recoveries total \$652,000, while avoidance of future cost is valued at \$592,000. In certain cases, the Program recovers co-payments made by the present owner/operator. Those recoveries are included in the amounts listed above. The 20 settled cases involve:

- Texaco
- Conoco
- Sun Oil
- Amoco
- Hawkeye Oil
- Caseys
- Chevron
- Federated Insurance (Elliot Oil)
- Phillips
- Several insurance companies who provided pollution liability insurance to responsible parties

Regional Counsel

Cost recovery cases are handled by the Attorney General's Office, with the assistance of three private law firms (regional counsel). Those firms are:

- Shearer, Templer, and Pingel - West Des Moines
- Eidsmoe, Heidman, Redmond - Sioux City
- Simmons, Perrine, Albright - Cedar Rapids

To date, regional counsel expenses paid by the Program total \$536,000. At this time, the Attorney General's Office does not have an accurate estimate of the expenditures of that Office related specifically to cost recovery. The LFB has requested an estimate from the Attorney General, and that figure will be available in the future.

Cases In Litigation

A total of 25 cases are currently in litigation and background work is being completed on many more. Recent District Court decisions in Linn and Mahaska counties, as well as an Iowa Supreme Court ruling in January 1995 have strengthened the Program's ability to recover Program costs. These court rulings should decrease future Program legal expenses and increase future recoveries.

STAFF CONTACT: Jeff Robinson (Ext. 16767)

**UNDERGROUND STORAGE TANK PROGRAM
DIMINUTION FEE**

Diminution Fee

Section 424.3, Code of Iowa, establishes the diminution fee on certain petroleum products as the greater of one cent per gallon of gasoline purchased or an amount sufficient to generate \$15.3 million per year. Revenue from the fee is deposited to the Road Use Tax Fund. Section 423.24(1)(a), Code of Iowa, allocates \$15.3 million annually from Use Tax revenues received from the sale of motor vehicles, trailers, and vehicle equipment to the Underground Storage Tank Program.

Fee Raised in 1991

Although the collection of the diminution fee and the transfer of the Use Tax are not connected in law for State Constitution reasons, SF 362, as passed by the 1991 General Assembly, raised the diminution fee to one cent per gallon and the Use Tax transfer to \$15.3 million based on the assumption that one cent per gallon would generate \$15.3 million.

Funds Generated



The current diminution rate generated \$16.9 million in FY 1994. From the fourth quarter of FY 1990 to the end of FY 1994, the Road Use Tax Fund has collected \$2.5 million more in diminution revenue than the Program has received in Use Tax. The following table shows the amount of Use Tax deposited to the Program, the amount of the diminution fee deposited to the Road Use Tax Fund and the annual difference.

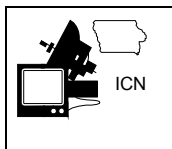
	Use Tax Transferred	Diminution Fee Deposited	Difference
FY 1990*	\$ 3,000,000	\$ 2,371,459	\$ 628,541
FY 1991	12,000,000	12,887,086	-887,086
FY 1992	15,300,000	14,907,403	-394,597
FY 1993	15,300,000	16,376,706	-1,076,706
FY 1994	15,300,000	16,876,028	-1,576,028
Total	<u>\$ 60,900,000</u>	<u>\$ 63,418,682</u>	<u>\$ -2,518,682</u>

* In FY 1990, an additional \$5,921,630 in diminution revenue was deposited directly to the UST Program.

FY 1995

During the first half of FY 1995, \$8.9 million in diminution revenue has been received by the Road Use Tax Fund, an increase of \$271,000 (3.1%) compared to the same period of FY 1994, and \$1.2 million more than the \$7.7 million in Use Tax received by the Program.

STAFF CONTACT: Jeff Robinson (Ext. 16767)

**IOWA COMMUNICATIONS NETWORK INFORMATION
PACKET****ICN Information**

The Legislative Fiscal Bureau has prepared an information packet regarding the Iowa Communications Network (ICN). The packet has been distributed to the members of the House Technology Committee and to the Senate Communications and Information Policy Committee. The packet contains the following information:

- A summary of the FY 1996 budget for the ICN, including the Governor's recommendation for the FY 1995 supplemental and FY 1996 funding.
- History - a brief chronological history of the ICN.
- Glossary - a glossary of terms and definitions relating to the ICN.
- Staff Organization Summary - A copy of the staff organization plan for the Iowa Telecommunications and Technology Commission (ITTC) submitted to the General Assembly on January 3, 1995, as required by SF 2089 (ICN Governing Bill) passed during the 1994 Legislative Session.
- A memo from Phil Smith of the Office for State-Federal Relations summarizing federal money received to date for the ICN.

Copies Available

Copies of the packet are available upon request from the LFB Office (1-5279).

Summary of Part III Rec.

The LFB will distribute a summary of the Commission's Part III recommendation following release of the final recommendation scheduled for early February.

Questions

Questions regarding the information in the packet or other questions regarding the ICN should be directed to the staff contacts listed below.

STAFF CONTACT: Mary Shipman (Ext. 14617) Jon Studer (Ext. 17799)

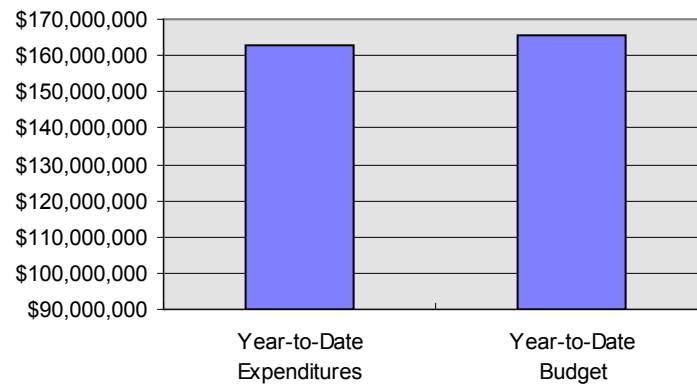
**DEPARTMENT OF HUMAN SERVICES WEEKLY
MEDICAL ASSISTANCE EXPENDITURES****Medical Assistance**

For the week ending January 30, 1995, expenditures for the Medical Assistance Program in the Department of Human Services were \$12.4 million (94.9% of budget). This is \$672,000 below the weekly budget established by the Department. Year-to-date Medical Assistance expenditures are \$163.1 million, which is \$2.7 million (1.6%) below the amount budgeted for the fiscal year-to-date.

Expenditure Monitored

The LFB will continue to monitor Medical Assistance Program expenditures and will provide regular updates to the members of the General Assembly. More information is available upon request.

**FY 1995 Year-to-Date Medical Assistance
General Fund Expenditures and Budget**



STAFF CONTACT: Larry Sigel (Ext. 16764)